

***United States Court of Appeals  
for the Second Circuit***



**APPELLANT'S  
REPLY BRIEF**





# 76-7189

IN THE  
United States Court of Appeals  
FOR THE SECOND CIRCUIT

APPEAL No. 76-7189

SHATTUCK, ET AL.,

*Appellants,*

*v.*

HOEGL, ET AL.,

*Appellees.*

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## APPELLANTS' REPLY BRIEF

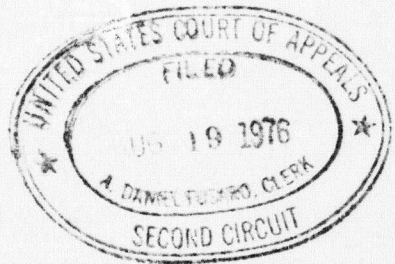
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**APPELLANTS' REPLY BRIEF**

**I. The Patent Office Has Recently Held That The Evidence On The Issue Of Fraud Is To Be Considered By The Patent And Trademark Board Of Interference**

On August 6, 1976 the Commissioner of Patents and Trademarks issued a decision in this Interference (Reprinted in Addendum E at the end of this brief) that held\*:

"Suffice it to say, the contention that the issue of ex parte fraud, raised by one party against another party in an interference, is not ancillary to priority is er-

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\* Subsequent to the filing of the Notice of Appeal in this suit IBM petitioned the Commissioner of Patents under 37 CFR § 1.56 which provides:

"... any application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent and Trademark Office, may be stricken from the files".

IBM based the petition solely on the evidence garnered to date.



roneous. See *Langer v. Kaufman*, 175 USPQ 172, 175, 176 (CCPA 1972).

"Moreover, under the circumstances of this instant case, in the interest of justice and orderly procedure, it is thought to be expedient that the testimony of *both parties* should first be considered by the Board of Patent Interferences. If Shattuck can sustain the charge of fraud by a preponderance of the evidence to the satisfaction of the Board, then the Board has the authority not only to award priority to Shattuck but also to make a recommendation to the Commissioner under 37 CFR 1.259 to strike the involved application of Hoegl. Cf. *Lund v. Bentley*, 188 USPQ 9, 16 (BPI 1974).

"Accordingly, the *petition* is denied without prejudice to its renewal after the testimony involved has been considered by the Board of Patent Interferences at final hearing." (Emphasis in the original)

That holding conclusively demonstrates that Xerox never did have and does not now have any justification for opposing any of the discovery IBM has sought in the Western District of New York, including the Karambelas documents and testimony which are the subject of the present appeal. At the same time the Commissioner's decision shows that IBM was fully justified in originally seeking the discovery relating to Xerox's fraudulent conduct and it raises the blinds Xerox has frantically tried to pull over the evidence of its scheme to monopolize still another aspect of xerography which it does not use.

The Commissioner's decision establishes that:

A. Evidence of fraud on the Patent Office by an applicant for patent is "ancillary to priority" and is therefore, relevant and will be considered by the Board of Interferences and the Commissioner under the appropriate Patent Office procedures.

B. The discovery IBM has sought in the District Court is both relevant and admissible in the Interference proceeding. Hence, the Commissioner's decision destroys Xerox's arguments that the discovery IBM seeks is broader than is permissible under recent decisions of the First and Third Circuit Courts of Appeal (Xerox brief, Addendum A) and that the Patent Office would not consider any evidence of fraud in the Interference (Xerox brief, pp. 16-17).

C. IBM needs the information denied to it by the district court not only for protection of its own interests against Xerox's attempts to further expand its already huge patent barrier to Xerox's competitors, but also to bolster the impotent jurisdiction of the Patent Office in protecting the overriding public interest against improperly granted patents.\* IBM has no certain access to the information withheld by Xerox except through the subpoena power of the district court. The three persons subpoenaed by IBM are mere employees of Xerox, none of them is an officer, director or managing agent who could be compelled by the Patent Office to testify on behalf of Xerox itself. As a mere employee each of them could pass beyond the asserted control of Xerox or Xerox could later contend that he was beyond its control.\*\* Hence, the only sure

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\* The Patent Office does not itself have the power to acquire the information independently of IBM. The Patent Office simply has the authority to determine priority adverse to a party in an interference where that party refuses a request for information, but that is to be distinguished from the affirmative power of a district court to compel the production of the information from both parties and third parties.

\*\* Although IBM has moved in the Patent Office to produce Hoegl and Barchietto for depositions, the Patent Office has neither compelled Xerox to produce either of them, nor has it imposed any sanctions in view of Xerox's protest that Hoegl and Barchietto, presently residing in Geneva, are not under Xerox's control. As

*(footnote continued on following page)*

way of getting the information IBM needs is through the ancillary proceedings in the district court.

D. The Commissioner's decision, therefore, points up the necessity for reviewing and reversing Judge Burke's order because that order may effectively prevent highly relevant and admissible evidence on the issue of fraud from ever being considered by the Board of Patent Interferences.

## **II. Xerox's Arguments Are Not Addressed To The Main Issues Here On Appeal**

IBM has consistently and continuously sought the testimony and documents here in question since the inception of the interference. This is fully demonstrated in IBM's main brief on the merits (pp. 16-22; 24-26). We state again that the only hiatus in IBM's attempts to get the information was during the period subsequent to Judge Burke's decision in which he granted IBM its requested discovery when the interference was suspended solely because of Xerox's own maneuvering in connection with its appeal of that earlier decision IBM has not unjustifiably delayed either the interference or any appeal of the ancillary proceeding in the district court or in this Court.\*

*(footnote continued from preceding page)*

to the limitations on the power of the Patent Office, the Board has stated:

"It should be further noted in connection with [IBM's] request for the production of witnesses that this Board has no authority to order or force a person to testify in an interference. [IBM] can, however, call the persons involved as their own witnesses which apparently is what they intend to do."

\* In every instance IBM's requests for extensions of its testimony period in the Patent Office were due to the interactions between the Patent Office and the ancillary proceedings. The

*(footnote continued on following page)*



Although Xerox's brief repeats again and again that IBM's presentation of the facts is erroneous, there is not one specific citation of error by IBM; there are, however, specific errors and distortions in Xerox's Brief:

1. Xerox states "Judge Burke *clearly* recognized each of the witnesses [Weigl and Karambelas] was a Xerox employee and, therefore, a party witness . . ." (Xerox's brief, p. 21).

Judge Burke, however, in his decision of March 26, 1974 stated:

*"Weigl is not a party to the interference proceeding. He has no standing to refuse to answer questions asked at the deposition on the ground that they are irrelevant to the interference proceeding."* (Exhibit C, p. 3)

2. Xerox contends (Xerox's brief p. 22) that IBM was advised (JA 141-42) and *acknowledged* (JA 15-151) that Karambelas' documents included material outside the scope of the subpoena. While it is true IBM's counsel acknowledged receipt of Xerox's counsel's letter (JA 141-142) nowhere in IBM's counsel's letter (JA 150-151) is there any statement of acknowledgment that the Karambelas' documents contain material "outside the scope of the subpoena."

IBM reasserts that the main issue on this appeal is whether Judge Burke improperly denied IBM's discovery

*(footnote continued from preceding page)*

petty delays in this appeal of which Xerox complains (Xerox brief, pp. 17-18) are either non-existent or were brought about by the summer schedule of this Court. For example, Xerox says IBM failed to file the Record on Appeal on the designated date (Xerox brief, p. 17). In fact, the Record was mailed to this Court on the date it was due to be filed so that under Rule 11(b) F.R.C.P., it was deemed filed that day. The fact that it was not received until two days later did not then violate the outstanding Scheduling Order.

because the right to the information, which he previously held IBM was entitled to, was waived by IBM's alleged inaction. That IBM was not inactive and that it did not act or fail to act in a manner that waiver could as a matter of law be inferred is fully considered in our main brief, and will not be repeated here (IBM main brief, pp. 16-22; 24-26). Xerox has not refuted the law and the facts relied on in support of IBM's position.

Xerox's brief at pp. 6-12 is, inexplicably, merely a verbatim repetition of its memorandum in support of its motion to dismiss this appeal, except for the addition of a citation to *IBM v. U.S.A.* Docket No. 76-3035 (2d Cir. July 19, 1976), which was decided by this Court since our memorandum was filed. That decision is not applicable here for the same reason that *Xerox Corporation v. SCM Corporation*, 534 F.2d 1031 (2d Cir. 1976) is not: it was an appeal from an order of the district court before which the main action was pending and therefore did not have the finality necessary to an immediate appeal.\*

Xerox's brief also injects the factor of "harassment" which was no part of Judge Burke's decision, either explicitly or implicitly. In support Xerox cites the several *Babcock* decisions which are not analogous. In *Babcock* discovery was sought by ancillary proceeding in aid of a pending interference. The district court and the Court of Appeals compelled production of over 11,000 documents, including 16 of 40 allegedly privileged documents inspected *in camera* by both courts.\*\* Later, during the *testimony period* in the Patent Office additional discovery was sought

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\* Xerox's brief pp. 23-24, which discusses Rule 38 F.R.A.P., is similarly duplicative of Xerox's treatment of that subject matter in its memorandum in support of its action to dismiss. IBM's memorandum in opposition fully considered this matter and therefore will not be repeated here (IBM's Memorandum in Opposition to Xerox's Motion to Dismiss, pp. 19-20).

\*\* See *Babcock & Wilcox Co. v. Foster Wheeler Corp.*, 173 U.S.P.Q. 642 (3rd Cir. 1973).



in the district court whereupon Judge Coolahan held that the earlier voluminous discovery and the earlier opportunity to obtain the discovery subsequently sought made the discovery attempted during the testimony period untimely and harassing. Such is not the case here where IBM's motion for discovery was sought during a time when the testimony period was suspended by the Patent Office on Xerox's own petition.

Indeed, if harassment there be, it is rooted in Xerox's desperate attempts to withhold the documents and the details of its conduct from judicial scrutiny.\*

Despite the unsupported denials of wrongdoing and barren promises of vindication found in Xerox's brief, it is a fact that the Weigl documents, which IBM did obtain provide, *prima facie* evidence of fraud due to Xerox's failure to inform the Patent Office of Mammino's prior work.\*\* Further the Weigl documents provide strong inferences that both Hoegl and the Xerox attorneys knew that Hoegl et al. were not the first inventors of the claims in interference and that Hoegl et al. could not properly be awarded a patent. See the detailed analysis in Addendum C of IBM's main brief. By virtue of the Karambelas documents having been identified in response to IBM's subpoena it can be said with fair certainty that they relate to the same events on which IBM presently relies for its fraud allega-

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\* See, for example, IBM's main brief pp. 11-12 which discusses Xerox's refusal to permit Judge Burke's *in camera* review of Karambelas' document and the footnote on page 8 which discusses Xerox's attempt to prevent the Patent Office from viewing the Weigl documents which have been produced under Judge Burke's previous order appealed to this Court.

\*\* Xerox's assertion that IBM has failed to prove a *prima facie* case of fraud is belied by the fact that faced with IBM's showing Xerox felt compelled to explain its failure to inform the Patent Office of Mammino's prior work by alluding to its theory of "abandonment" and some alleged immunity it enjoys as Mammino's employer. In so doing Xerox, has made a tacit admission that a *prima facie* case of fraud exists.

tions and that the documents and testimony about them are highly relevant. Whether there was or was not fraud involved should be determined by the Patent Office, not the courts in this ancillary proceeding. And we are now assured by the Commissioner's decision of August 6, 1976, that IBM's evidence of fraud will be considered and the issue will be determined by the Patent Office. The principal concern of this Court should be that the Patent Office have all of the available evidence—both documentary and tegtamentary.

### Conclusion

Judge Burke's Order of March 9, 1976 should be reversed, particularly in view of the Patent and Trademark Commissioner's recent decision of August 6, 1976. Judge Burke's Order is based on an error of law and many erroneous findings of fact. This Court should, therefore, direct the District Court to order the production of the Karambelas' documents and to order the witnesses, Karambelas and Kondo, to testify in connection therewith.

Respectfully submitted,

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**ADDENDUM E**

**Commissioner of Patent and Trademarks' Decision in  
Interference No. 98,047, Shattuck et al. v. Hoegl  
et al., Dated August 6, 1976.**

(EMBLEM)

U.S. DEPARTMENT OF COMMERCE  
PATENT OFFICE

Address Only: COMMISSIONER OF PATENTS  
Washington, D.C. 20231

Interference No. 98,047)  
Shattuck et al.                    )  
v.                                    )  
Hoegl et al.                        )     On Petition

Shattuck et al. (Shattuck), the junior party patentee in this proceeding, petitions the Commissioner to strike the involved Hoegl et al. (Hoegl) application under 37 CFR 1.56. The petition is accompanied by nineteen exhibits, referred to *infra*.

On May 18, 1976, Hoegl filed a motion to dismiss the petition. Shattuck filed a paper in opposition to this motion on May 28, 1976 and Hoegl filed a reply to the opposition paper on June 4, 1976.

The exhibits listed by Shattuck are as follows:

**PETITION EXHIBITS**

*Number*

- 1 Hoegl Preliminary Statement
- 2 Letter-Report No. 19 from Hoegl to Xerox
- 3 Letter-Report No. 21 from Hoegl to Xerox
- 4 Letter-Report No. 20 from Hoegl to Xerox



*Commissioner of Patent and Trademarks' Decision in  
Interference No. 98,047, Shattuck et al. v. Hoegl et al.,  
Dated August 6, 1976.*

- 5 Subpoenas *duces tecum* to Weigl, Karambelas, and Kondo
- 6 Transcript pages from Weigl deposition of April 5, 1974
- 7 Legible electrophotographic copies prepared by Mammino on May 5, 1964
- 8 Transcript pages from Weigl deposition of April 24, 1974
- 9 List of alleged Weigl privileged documents
- 10 Mammino-Jvirblis Report No. RL64-45 of August 15, 1964
- 11 Pages of Hoegl memorandum in opposition to production of alleged Weigl privileged documents
- 12 Weigl memorandum of April 2, 1970 re Mammino's "Invention Record"
- 13 Mammino "Invention Record" dated March 26, 1970
- 14 Weigl memorandum of April 2, 1970 re Battelle work by Hoegl
- 15 Transcript pages from Weigl deposition of April 8, 1976
- 16 List of alleged Karambelas privileged documents
- 17 Transcript pages from Karambelas deposition of April 24, 1974
- 18 Correspondence re "confidentiality" of Weigl documents
  - (a) Letter of April 22, 1976 from Metzger to Hone
  - (b) Letter of April 23, 1976 from Hone to Metzger
  - (c) Letter of April 23, 1976 from Metzger to Hone
  - (d) Letter of April 26, 1976 from Hone to Metzger
  - (e) Letter of April 29, 1976 from Metzger to Hone
  - (f) Letter of April 30, 1976 from Hone to Metzger
- 19 The District Court's March 26, 1974 decision and the District Court's May 7, 1974 decision (and the

*Commissioner of Patent and Trademarks' Decision in  
Interference No. 98,047, Shattuck et al. v. Hoegl et al.,  
Dated August 6, 1976.*

decision of the Court of Appeals for the Second Circuit, dated July 16, 1975, in connection therewith)

Shattuck contends, page 2 of the petition, that Hoegl and/or Xerox, the assignee of Hoegl, after learning of the invention of the Shattuck patent, and after determining that it was commercially important, have improperly and fraudulently attempted to usurp that invention. The petition is accompanied by nineteen exhibits.

Hoegl advances the following arguments, inter alia, in his motion to dismiss, *supra*:

\* \* \*

The thrust of the Shattuck petition is that the Hoegl application in the interference should be stricken for fraud on the Patent and Trademark Office. This Shattuck position is based on certain *limited and selected* evidence (much of which incidentally is not even of record in the Patent and Trademark Office) adduced by Shattuck during its testimony period, and certain unsubstantiated inferences it draws from that limited evidence. Shattuck is the junior party. The Hoegl testimony period has not yet begun. Hoegl has considerable evidence to rebut the inferences of fraud that Shattuck is drawing. Certainly, no tribunal operating under Anglo-American jurisprudence would entertain a move by one side to pass judgment on a contested substantive evidentiary issue of this import, before the other side has even had an opportunity to present its evidence.

The situation is completely analogous to a trial, where after the plaintiff has presented its evidence, it then moves for judgment. The *defendant* can move for judgment on the ground that the plaintiff has failed

*Commissioner of Patent and Trademarks' Decision in  
Interference No. 98,047, Shattuck et al. v. Hoegl et al.,  
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to prove a prima facie case; but how can a motion for judgment by the *plaintiff* be entertained before the defendant's case has been presented?

When *all* the evidence is in, it will become abundantly clear (hopefully even to Shattuck) that there is no fraud on the part of the party Hoegl or its attorneys. Indeed, when *all* the evidence is in, the record will show that those on the Hoegl side have acted with scrupulous honesty and propriety, while diligently pursuing the proper interest in their client.

Notwithstanding the protestations of Hoegl, Shattuck urges in his reply paper that no evaluation of interference testimony is required because the relevant facts regarding Hoegl's *ex parte* fraud are undisputed. (Emphasis Shattuck's). Continuing, Shattuck maintains that since these facts in no way raise issues ancillary to priority between Shattuck and Hoegl, there is no reason to defer consideration of the Shattuck petition until final hearing.

Suffice it to say, the contention that the issue of *ex parte* fraud, raised by one party against another party in an interference, is not ancillary to priority is erroneous. See *Langer v. Kaufman*, 175 USPQ 172, 175, 176 (CCPA 1972).

"Moreover, under the circumstances of this instant case, in the interest of justice and orderly procedure, it is thought to be expedient that the testimony of *both parties* should first be considered by the Board of Patent Interferences. If Shattuck can sustain the charge of fraud by a preponderance of the evidence to the satisfaction of the Board, then the Board has the authority not only to award priority to Shattuck but also to make a recommendation to the Commissioner under 37 CFR 1.259 to strike the involved application of Hoegl. Cf. *Lund v. Bentley*, 188 USPQ 9, 16 (BPI 1974).



*Commissioner of Patent and Trademarks' Decision in  
Interference No. 98,047, Shattuck et al. v. Hoegl et al.,  
Dated August 6, 1976.*

Accordingly, the petition is *denied* without prejudice to its renewal after the testimony involved has been considered by the Board of Patent Interferences at final hearing."

After the preparation of this decision a "Further Statement" was filed by Shattuck on July 30, 1976 and a response thereto by Hoegl on August 3, 1976. The content of these papers have been considered, but will not alter the decision expressed herein.

Sgd. C. MARSHALL DANN

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Commissioner of Patents and Trademarks

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UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

SHATTUCK, ET AL.,

Appellants,

against

HOEGL, ET AL.,

Appellees.

State of New York,  
County of New York,  
City of New York—ss.:

DAVID F. WILSON, being duly sworn, deposes  
and says that he is over the age of 18 years. That on the 19th  
day of August, 1976, he served two copies of  
Appellants' Reply Brief on  
Brumbaugh, Graves, Donohue & Raymond, the attorneys  
for Appellees  
by delivering to and leaving same with a proper person in charge of  
their office at 30 Rockefeller Plaza  
in the Borough of Manhattan, City of New York, between  
the usual business hours of said day.

*David F. Wilson*

Sworn to before me this  
19th day of August, 1976.